A Monthly Report from The Conference Board

INTERNATIONAL ECONOMIC SCOREBOARD

The Conference Board

AUGUST, 1985

R4105-6A

SUMMARY

The economic performance indexes, based upon measures of output, income, sales, and employment, are rising in all nine major industrial countries. Australia's 7 percent growth rate is at the top, followed by Japan and West Germany at 5 percent, and Canada at 4 percent. The other five countries are in the 1 to 2 percent growth range. Among these, the U.S. growth rate continued to decline through June, when it reached 2 percent, the lowest rate since early 1983. As a group, the nine countries show an undistinguished growth rate of 3 percent.

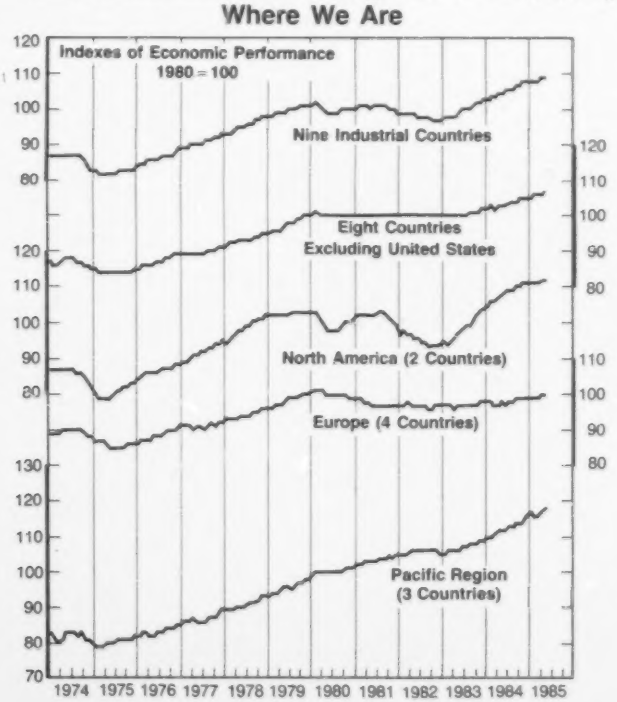
The leading indexes paint a brighter picture in most countries. Australia again tops the list with growth at a 13 percent annual rate. Japan and Italy follow with 10 percent, and Canada with 8 percent. West Germany, France and Taiwan, R.O.C., are in the 4 to 5 percent range. At the bottom of the ladder are the United Kingdom and the United States, where the leading indexes are rising at only 2 and 1 percent rates respectively. The nine-country leading index registers a 4 percent rate, suggesting continued expansion at a moderate pace.

The key word is "moderate". With only one or two exceptions, the economic signs and portents for the industrial world are distinctly *non*cyclical: not enough energy for a boom, but no cyclical exhaustion to suggest recession either.

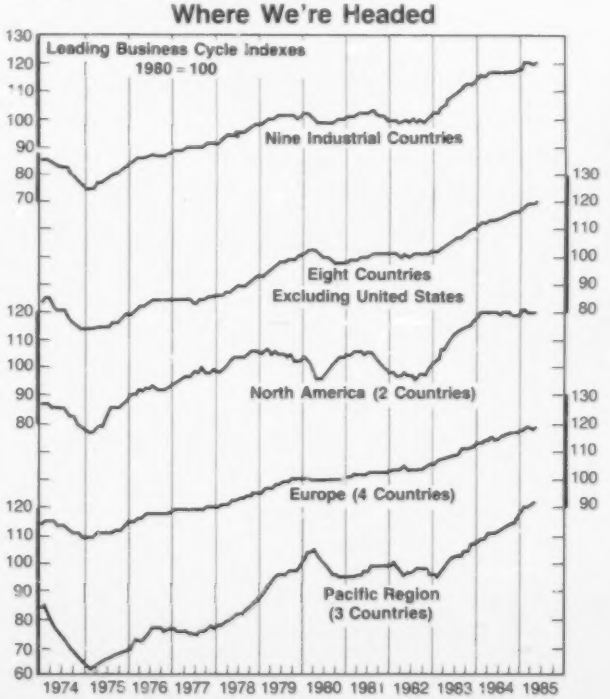
	Ten-year Growth Rate 1969-79	*Leading Business Cycle Indexes Growth Rates**			*Indexes of Economic Performance Growth Rates**			*Current Reading on the Cycle*	*Latest Month Covered*
		6 mos. ago	*3 mos. ago*	*Latest month*	*6 mos. ago*	*3 mos. ago*	*Latest month*		
		annual rates, percent							
9 countries	4	3	5	4	5	3	3	Expansion continuing	May
8 countries ex. U.S.	4	5	7	7	4	3	4	Expansion continuing	May
Europe (4)	3	4	4	5	2	2	3	Expansion continuing	May
Pacific Region (3)	5	7	11	10	7	4	5	Expansion continuing	May
North America (2)	3	0	2	0	6	4	3	Expansion slowing	May
United States	3	−1	1	1	6	3	2	Expansion slowing	June
Canada	4	3	4	8	5	4	4	Expansion continuing	May
West Germany	3	4	3	5	4	3	5	Expansion continuing	May
France	4	7	5	4	−1	0	2	Recovery resuming	May
United Kingdom	2	2	4	2	3	2	2	Expansion continuing	May
Italy	3	3	7	10	4	1	1	Expansion continuing	May/Apr.
Japan	5	7	12	10	6	4	5	Expansion continuing	May
Australia	4	8	10	13	8	7	7	Expansion continuing	May
Taiwan, R.O.C.	10	5	4	5	3	3	2	Expansion slowing	June

* Ratio of current month's index to average index over the preceding 12 months, expressed as a compound annual rate.

Where We Are



Where We're Headed



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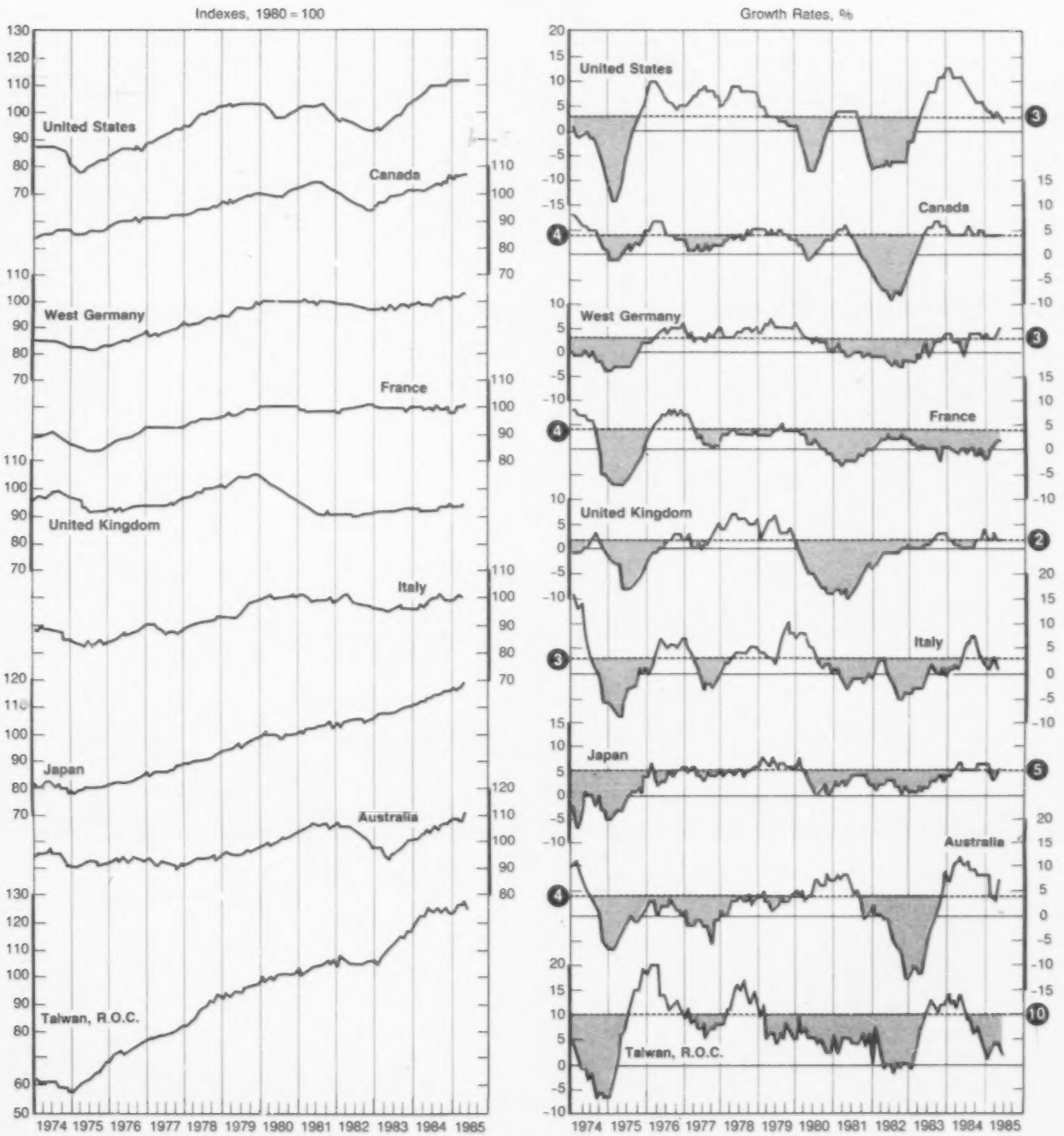
Where We Are

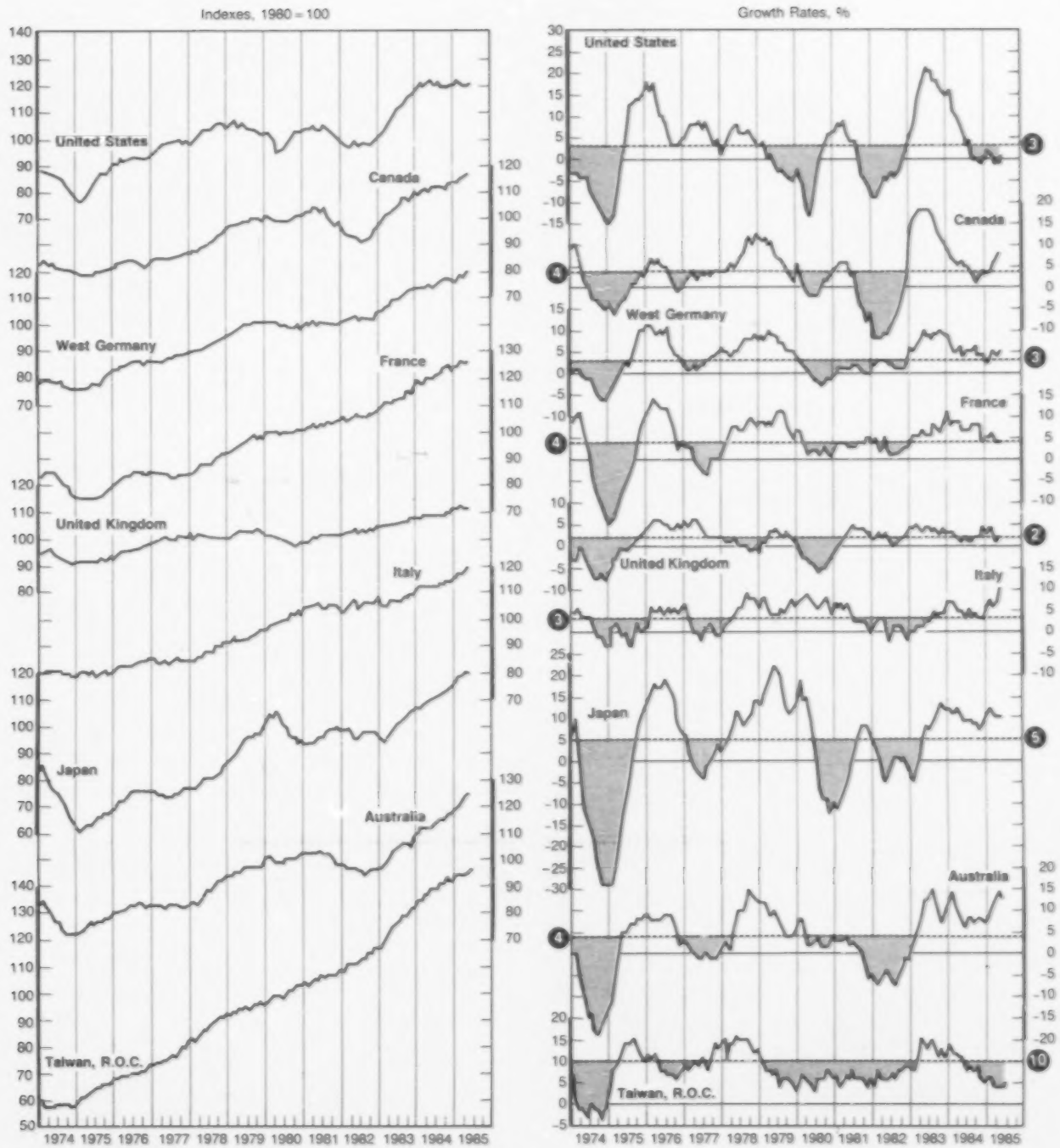
Indexes of Economic Performance



Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board

Where We're Headed

Leading Business Cycle Indexes



Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and *The Conference Board*

RECOVERY PATTERNS IN SIX COUNTRIES

The June *Scoreboard* compared the current economic recovery in the United States with previous expansions, in terms of U.S. data and comparable figures for eight other countries combined. We found that whereas growth rates in economic performance indexes at the end of 1984 had been about the same as in previous U.S. expansions, they had recently become somewhat weaker than average, both in the U.S. and abroad. The leading indexes, however, were showing signs of a pick-up.

These comparisons used the U.S. business cycle expansions as the basic framework, both for the U.S. and the other countries' data. Hence the results focused on the U.S. expansion and whether it was supporting, and being supported by, developments in other countries. Each country, however, has a cycle of its own, more or less independent of other countries. To appraise each country's own performance, comparisons should be made with its own previous expansions. That is what we do here for six countries. (The analysis has not been completed for France and Italy.)

In the recovery pattern charts on the next page, each country's recovery in economic performance since the latest upswing began late in 1982 or early 1983 is compared with the average previous upswing over the same length of time, and extending out to 36 months from the starting point. By that time the average recovery had ended in every country. The average growth rate patterns show that recoveries begin at a slow pace but pick up speed during the first year or so. This is characteristic of each of the six countries. So too is the slower pace that follows the first year. In none of the countries, however, has the average growth rate dropped to zero or below during the second and third year of expansion.

In the current recovery, the rate of advance for most of the industrial countries outside the U.S. has been slower than in earlier recoveries. This is especially noticeable for Japan and West Germany, the largest of the six economies. The recent patterns for Canada and Australia are closest to the historical norm. Note that the United Kingdom's recovery was interrupted by the long coal strike of 1984. West Germany also was affected by a strike that year, but much less so.

The most recent growth rates for these six countries range from 2 to 7 percent (see table below). In every case except Canada, this is short of the historical norm. But while the current growth rates of the economic performance indexes are somewhat sluggish by past standards, recession is nowhere to be seen.

A better glimpse of the future, however, can be gained by applying the recovery pattern technique to the leading economic indexes. This we plan to do in the October *Scoreboard.*

CURRENT AND PREVIOUS RECOVERY GROWTH RATES IN ECONOMIC PERFORMANCE INDEXES, SIX COUNTRIES

	Current Recovery				*Previous Recoveries*			
	Starting Date (Trough)	*Date*	*Months from Trough*	*Percent*	*Average Growth Rate at Corresponding Date*	*Number of Recoveries*	*Initial Year*	*Average Length in Months*
Canada	11/82	5/85	30	4	3	11	1950	18
West Germany	7/83	5/85	22	5	9	6	1954	30
United Kingdom	6/83	5/85	23	2	3	5	1953	31
Japan	6/83	5/85	23	5	13	6	1955	35
Australia	5/83	5/85	24	7	9	6	1952	34
Taiwan, R.O.C.	10/82	6/85	32	2	8	5	1963	20

Note: The data refer to growth cycle expansions, which are periods when the economic performance indicators are rising faster than their long-run growth trends.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, two types of index are shown for each country: an index of economic performance and a leading index. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they *define* the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too—typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see "What the Leading Indicators Indicate," *Across the Board,* April 1980 and *Business Cycles, Inflation and Forecasting,* Ballinger Publishing Co., 1983.) Considerable variation in the length of lead is to be expected, however. Constant monitoring is needed to make effective use of the system and get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

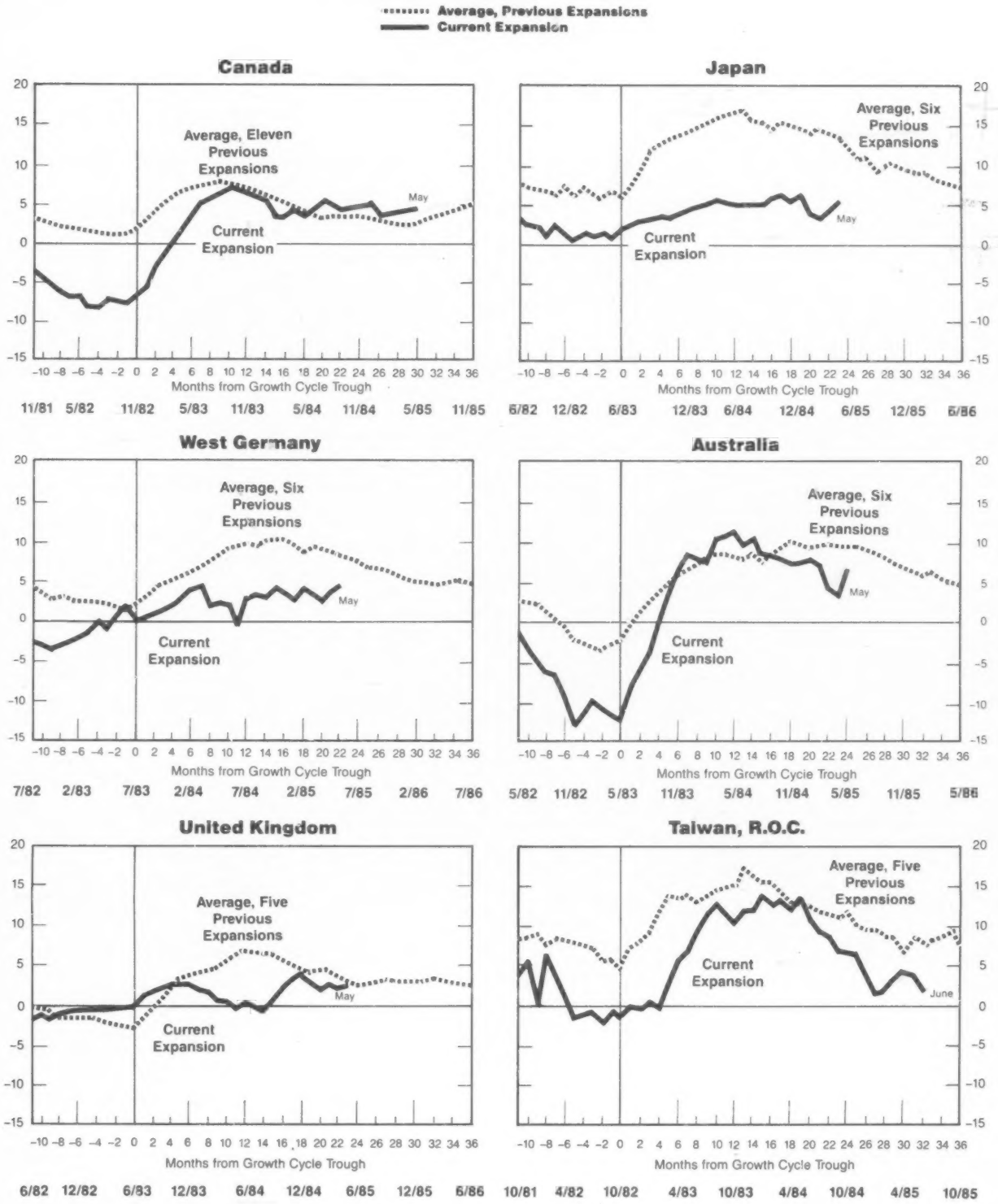
For More Information

To find out more about this indicator system and the availability of detailed data for each country please address inquiries to:

Center for International Business Cycle Research
Columbia Business School
New York, New York 10027
Telephone: 212-280-2916

Recovery Patterns, Six Countries

Growth Rates in Economic Performance Indexes



Note: Horizontal scale for all charts based on timing of U.S. business cycles.

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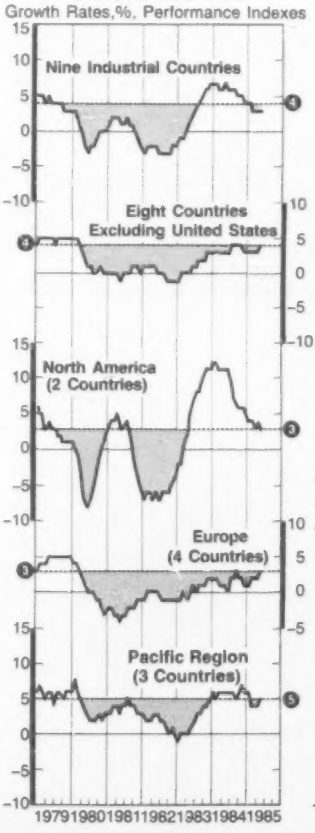
INDEXES, NINE COUNTRIES, 1983-85

		U.S.		Canada		West Germany		France		Italy		U.K.		Japan		Australia		Taiwan, R.O.C.	
		Indexes, 1980 = 100																	
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Mar.	84	107	120	102	110	99	113	100	119	97	112	92	109	112	108	102	112	121	137
Apr.	84	108	121	102	111	99	114	99	120	96	112	92	109	112	110	103	112	121	137
May	84	109	121	102	110	99	115	100	120	98	112	92	109	113	110	104	112	124	139
June	84	110	120	103	112	98	114	99	120	99	112	92	109	113	110	104	112	123	139
July	84	110	120	104	112	100	115	100	121	100	112	92	109	114	111	106	114	123	139
Aug.	84	110	121	104	112	101	116	100	122	100	113	92	109	114	112	105	115	124	141
Sept.	84	110	120	104	112	101	116	100	123	101	113	93	109	114	113	106	115	124	141
Oct.	84	110	119	105	111	102	117	99	123	100	114	94	110	116	113	107	116	124	143
Nov.	84	111	120	105	112	102	116	99	124	99	114	94	110	116	113	107	117	125	142
Dec.	84	112	120	106	113	101	117	98	123	99	114	95	111	116	115	108	117	124	142
Jan.	85	111	120	105	114	102	116	98	124	99	116	94	111	117	117	109	119	123	144
Feb.	85	112	122	106	114	102	117	99	124	100	117	94	112	116	119	109	120	124	144
Mar.	85	112	121	106	115	102	119	100	126	101	117	94	112	117	119	108	122	126	144
Apr.	85	112	120	107	116	103	118	100	125	100	118	94	111	118	120	108	124	126	144
May	85	112	120	107	117	103	120	101	126		120	95	111	119	120	111	125	127	145
June	85	112	121															125	146
		Growth Rates, Percent																	
Mar.	84	12	11	4	7	2	5	0	9	2	8	1	3	5	11	10	11	13	12
Apr.	84	12	10	4	6	2	6	−1	9	1	5	1	2	6	12	11	8	11	11
May	84	12	8	4	5	2	6	−1	9	3	5	0	2	5	11	12	7	14	11
June	84	11	6	4	6	−1	5	−1	7	5	4	0	2	5	9	10	6	11	10
July	84	9	3	6	5	3	5	0	7	6	3	0	2	5	9	11	8	9	8
Aug.	84	8	4	5	5	4	5	0	7	7	5	0	2	5	9	9	8	9	9
Sept.	84	7	2	4	4	4	4	0	8	7	3	1	2	5	8	9	7	6	8
Oct.	84	6	0	4	1	4	5	−1	7	4	4	2	3	6	8	8	8	7	9
Nov.	84	6	0	5	3	4	4	−1	7	3	3	3	2	6	7	8	8	6	6
Dec.	84	6	−1	5	4	3	4	−2	4	2	3	4	4	6	9	8	7	3	5
Jan.	85	4	0	4	4	4	2	−2	5	1	5	2	3	6	11	8	8	1	6
Feb.	85	4	2	4	4	3	3	0	5	2	7	2	4	4	12	7	10	2	5
Mar.	85	3	1	4	6	3	5	1	6	3	6	3	4	3	11	4	12	3	4
Apr.	85	4	−1	4	7	4	4	2	4	1	7	2	1	4	10	3	14	4	4
May	85	3	−1	4	8	5	5	2	4		10	2	2	5	10	7	13	4	5
June	85	2	1															2	5
		Ten Year Annual Growth Rate, Percent																	
1969-79		3	3	4	4	3	3	4	4	3	3	2	2	5	5	4	4	10	10

		9 Countries		8 Countries ex. U.S.		North America (2)		Europe (4)		Pacific Region (3)	
		Indexes, 1980 = 100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Mar.	84	104	115	102	112	106	120	97	113	111	110
Apr.	84	105	116	103	113	107	120	97	114	112	111
May	84	105	116	103	113	108	120	98	115	112	111
June	84	106	116	103	113	109	120	97	114	112	111
July	84	106	116	104	114	109	119	98	115	113	112
Aug.	84	106	117	104	114	109	120	98	115	113	113
Sept.	84	107	117	104	115	110	120	99	116	114	114
Oct.	84	107	117	105	116	110	119	99	116	115	114
Nov.	84	108	117	105	116	111	119	99	116	116	115
Dec.	84	108	118	105	116	111	119	99	117	116	116
Jan.	85	108	118	105	117	111	120	99	117	117	118
Feb.	85	108	120	105	118	111	121	99	118	116	120
Mar.	85	108	120	106	119	111	120	99	119	116	120
Apr.	85	109	119	106	119	112	120	100	118	117	121
May	85	109	120	107	120	112	120	100	119	118	122
		Growth Rates, Percent									
Mar.	84	6	9	3	8	11	11	1	6	6	11
Apr.	84	6	9	3	8	11	9	1	6	6	12
May	84	7	8	3	7	11	8	1	6	6	10
June	84	6	6	3	6	11	6	0	4	6	9
July	84	6	5	4	6	9	3	2	4	6	9
Aug.	84	6	5	4	6	8	4	2	5	6	9
Sept.	84	5	4	4	6	7	2	3	4	5	8
Oct.	84	5	3	4	6	6	0	2	5	6	8
Nov.	84	5	3	4	5	6	0	2	4	7	7
Dec.	84	4	3	3	6	6	0	1	4	6	9
Jan.	85	4	4	3	6	4	1	1	4	6	10
Feb.	85	3	5	3	7	4	2	2	4	4	11
Mar.	85	3	4	3	7	3	1	2	5	4	11
Apr.	85	3	3	3	6	4	0	2	4	4	10
May	85	3	4	4	7	3	0	3	5	5	10
		Ten Year Annual Growth Rate, Percent									
1969-79		4	4	4	4	3	3	3	3	5	5

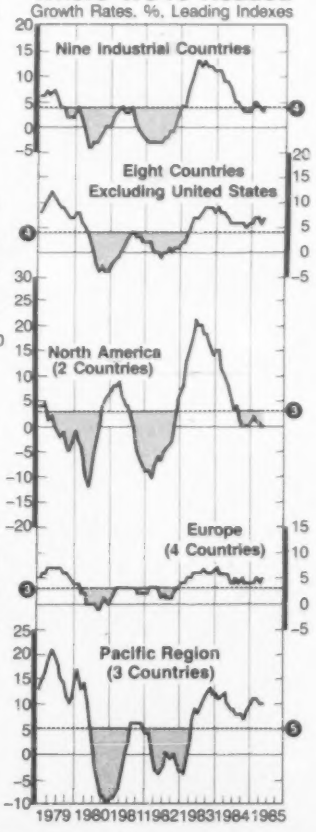
Where We Are

Growth Rates,%, Performance Indexes


Nine Industrial Countries
Eight Countries Excluding United States
North America (2 Countries)
Europe (4 Countries)
Pacific Region (3 Countries)
1979 1980 1981 1982 1983 1984 1985

Where We're Headed

Growth Rates, %, Leading Indexes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1979 1980 1981 1982 1983 1984 1985

Note: Horizontal dashed lines are average growth rates for 1969-79 in the index and in real GNP.
Sources: CIBCR and The Conference Board